AR45

Ashland

ASHLAND OIL CANADA LIMITED | ANNUAL REPORT 1970

Contents

The Company intends to publish supplementary financial and operating information. While this publication will be intended primarily for the use of security analysts, any shareholder wishing a copy should direct his request to the Company's secretary.

Financial and Operating Highlights

Financial

	Restated Twelve Months Ended Sept. 30, 1970	Year Ended Dec. 31, 1969	**Period of Nine Months Ended Sept. 30, 1970**
	$000	$000	**$000**
Sales & Operating Revenues:			
Oil & Gas Sales less Royalties....	$14,584	$13,535	**$10,221**
Asphalt Paving & Construction....	32,568	27,106	**23,841**
Petroleum Marketing & Chemicals	9,516	8,713	**7,318**
Other..............................	893	745	**693**
Total......................	$57,561	$50,099	**$42,073**
Cash Flow—Net Income plus Depreciation, etc..........	$13,119	$12,263	**$ 8,839**
Per common share outstanding...	$1.02	96¢	**68¢**
Net Income—after allowance for the interest of minority shareholders in the net income of a subsidiary company...........................	$ 5,142	$ 4,843	**$ 3,585**
Per common share outstanding...	40¢	37¢	**28¢**
Long Term Debt			
Less current maturities...........	2,924	4,104	**2,924**
Working Capital......................	$ 7,424	$ 735	**$ 7,424**

Operating

	Year Ended Dec. 31, 1969	**Period of Nine Months Ended Sept. 30, 1970**
Net Production		
Crude Oil & Natural Gas Liquids—Barrels........	5,185,811	**4,042,775**
Daily Average...............................	14,208	**14,808**
Natural Gas—Thousands of Cubic Feet...........	5,937,508	**4,700,059**
Daily Average...............................	16,267	**17,216**
Net Proven Reserves		
Crude Oil & Liquids—Barrels....................	66,549,700	**65,888,100**
Natural Gas—Thousands of Cubic Feet...........	122,952,000	**133,600,000**
Sulphur—Long Tons............................	2,200	**25,360**
Total Barrels—Converted on a price-equivalent basis.	73,029,020	**73,013,763**

The Annual General Meeting of Shareholders will be held at Calgary, Alberta on March 17, 1971, at 10:00 A.M.

Report of the Directors

To the Shareholders of Ashland Oil Canada Limited:

On September 4, 1970, shareholders approved a plan of reorganization which included the recapitalization of Canadian Gridoil Limited, the issuance of common stock for substantially all of the Canadian assets and businesses of Ashland Oil, Inc. and the amalgamation with a wholly-owned subsidiary to create Ashland Oil Canada Limited. Shares of the Company are now registered for trading on the Toronto, Calgary and American stock exchanges.

Ashland Canada's fiscal year-end has been fixed at September 30 and, as the last report to shareholders was for the fiscal year ended December 31, 1969, we are now reporting to you on the affairs of the amalgamated Company for the nine-month period ended September 30, 1970.

This first report will provide an indication of the magnitude and diversity of the activities of the amalgamated company and includes cash flow and income history for the various operating divisions. The reorganization was complex, involving many separate entities with different financial reporting periods. Comparisons with prior years are therefore available only on a pro forma basis.

Total revenue for the nine-month period was $42,073,000 and net earnings were $3,585,000, or $0.28 per share. Cash flow from operations totalled $8,839,000, or $0.68 per share.

The Company's long-term debt totalled $2,924,000, resulting in a debt to equity ratio of approximately four per cent. Working capital at the end of the period was $7,424,000.

This drill site in Athabasca, Alberta, was one of 11 successful exploratory completions made by Ashland Canada during the nine month reporting period of 1970.

Ashland Canada is a broadly based company, primarily engaged in the exploration for and the production of oil and gas. During September 1970, the Company's Oil and Gas Division produced an average of 15,400 barrels of oil and 21.8 million cubic feet of gas per day. Oil and gas sales revenue for the nine month period was $10.2 million. The recent increase of approximately 25¢ per barrel in the posted field price for crude oil will have a significantly beneficial effect on 1971 cash flow and earnings.

Ashland Canada is also engaged in time-proven and successful operations in asphalt paving and construction, the packaging and marketing of petroleum products, and the manufacture, packaging and marketing of industrial chemicals, plastics and resins.

A new organizational structure has been created to ensure maximum efficiency and growth. In addition to the Oil and Gas Division, five other divisions have been established on an operational and geographic basis with direct responsibility for profitability:

Warren Bitulithic Division and Columbia Bitulithic Division (asphalt paving); Valvoline Oil Company of Canada Division (packaging and marketing of branded petroleum products); Industrial Chemicals and Solvents Division and the Resin and Chemical Division (manufacturing, packaging and sales).

The accounting and financial control of all operations is centered with the corporate group in Calgary.

The paving and construction divisions achieved sales totalling $23.8 million during the nine-month period, and contributed $2.0 million to cash flow. The prospect for continued growth in these divisions is good.

The Valvoline Oil Company of Canada Division achieved total sales of $1.9 million for the period, and contributed cash flow of $162,000. The division markets petroleum products to jobbers and distributors across Canada. Sales in Canada over the past five years have grown at an annual compound rate of 19 per cent, while net income has grown at the rate of 13 per cent in the same period. We believe there are significant, expanding markets in Canada that will contribute to the continued growth of this division.

The Company's chemical divisions recorded total sales of $5.4 million for the period and contributed $343,000 to cash flow. The Industrial Chemicals & Solvents Division, based in Toronto, and the Resin & Chemical Division, with a Toronto plant, market products primarily in Ontario, Quebec and the Maritimes.

Looking to 1971, Ashland Canada is in a strong position to expand investment in all areas of its activity. The Company has projected capital expenditures during fiscal 1971 at $14.0 million, of which approximately $10.5 million will be allocated to oil and gas exploration and production.

The Company is pursuing an aggressive exploratory and development drilling programme relative to its present strong acreage position. We plan to expand our land holdings, with particular emphasis on northern Canada.

Ashland Canada is participating, through a gradual investment programme, in exploration for and evaluation of hard mineral prospects. Opportunities for expansion of our activities in metals exploration are under consideration.

Plans for the construction of a carbon black plant with a capacity of 40 million pounds a year at St. David in the Province of Quebec are being finalized. Construction of the $7 million plant is to begin in 1971, with completion projected for the spring of 1972. This plant will be financed in part by a Regional Development Incentives Act grant of $1,170,000 from the Government of Canada.

We also propose to invest in the expansion of the other areas of our present operations and to pursue acquisition opportunities which would add to the assets and profitability of Ashland Canada and strengthen its competitive position.

We are confident North American refiners will, more than ever, look to Canadian oil and gas for a secure overland supply, and believe that 1971 promises to be a period during which Canadian crude oil will gain freer access to market demand.

Management is proud of the Company's employees and appreciative of their efforts in the task of amalgamation and reorganization. The continued support of our shareholders and customers is appreciated.

S. C. Nickle, Sr.
Chairman of the Board

H. Earl Joudrie
President and Chief Executive Officer

February 12, 1971

BRITISH COLUMBIA — ALBERTA
FORT NELSON
Fort Nelson River
Zama Lake
Lake Claire
Lake Athabasca
ATHABASCA
TAR
SANDS
FORT ST. JOHN
Peace River
Utikuma Lake
Lesser Slave Lake
Sixth Meridian
Fifth Meridian
Fourth Meridian
Lac la Biche
Cold Lake
ALBERTA
SASKATCHEWAN
North Saskatchewan River
EDMONTON
Athabasca River
RED DEER
BRITISH COLUMBIA
ALBERTA
Bow River
CALGARY
MEDICINE HAT
South Saskatchewan River
LETHBRIDGE

The Oil and Gas Division of Ashland Canada includes three previously separate entities: Canadian Gridoil Limited, Canadian Ashland Exploration Ltd., and the Canadian Division of Ashland Oil, Inc. Integration of staff and operational functions is proceeding smoothly.

- Income from oil and gas sales of the division for the nine month period ended September 30, 1970 totalled $10.2 million. Operating income for the period was $7.3 million after operating expenses of $2.9 million.
- Crude oil and natural gas liquids production for the reporting period averaged 14,800 barrels a day compared to 14,200 barrels a day for the year ended December 31, 1969.
- Natural gas production increased to an average of 17.2 million cubic feet a day for the reporting period, compared to 16.3 million cubic feet a day for 1969.
- The Company now holds petroleum and natural gas rights covering 14.9 million gross and 4.4 million net acres. Included are fee mineral titles on 1.9 million gross and 0.9 million net acres. These substantial holdings in fee minerals are located primarily in Saskatchewan and Manitoba.
- We participated in drilling 87 gross wells, resulting in 30 oil, 9 gas, 4 service wells and 44 dry holes. Of these, 13 gross wells were drilled at no expense to the Company under farmout by others on Ashland Canada lands. The drilling programme added 17 net oil wells, 3 net gas wells and 3 net service wells to the Company.
- We made capital expenditures totalling $6.2 million for exploration, property acquisition, and the maintenance and development of producing facilities.

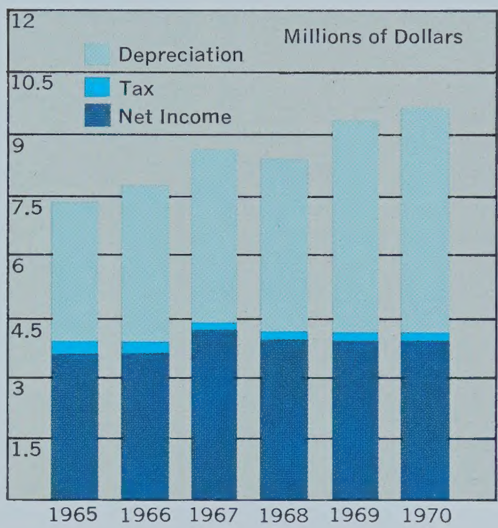
Legend

Ashland Land Holdings

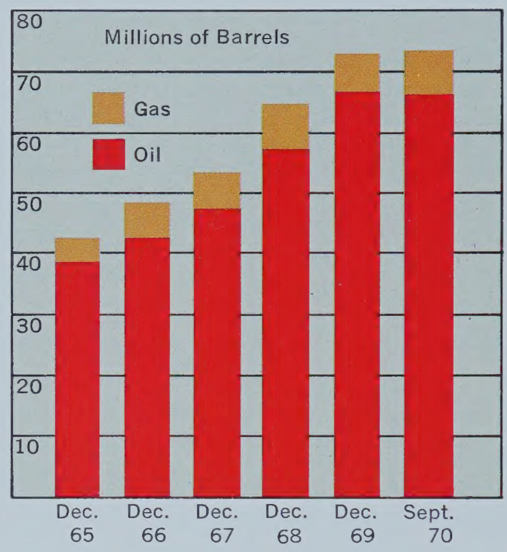
Oil Field Gas Field

Ashland Canada's holdings in Alberta and British Columbia totalled 1.7 million gross acres at the end of the current reporting period. An active land acquisition programme will expand this coverage in 1971.

Oil & Gas Division—Operating Income



Proven Remaining Oil & Gas Reserves



Note: Natural Gas Reserves are converted on a price-equivalent basis.

Drilling Activity—Nine Months Ended September 30, 1970

	Oil	Gas	Service	Dry	Total	Success Ratio
Exploratory	4	7	0	31	42	26%
Development	26	2	4	13	45	71%
Gross Wells	30	9	4	44	87	50%
Net Wells	17	3	3	18	41	56%

Ashland acted as Operator in the drilling of 52 wells, or 60% of the programme.

Oil and Gas Reserves (Net of Royalties)

	Sept. 30, 1970	Dec. 31, 1969
Crude Oil & Natural Gas Liquids—Barrels		
Proven Developed	65,888,100	66,549,700
Probable Additional	47,008,680	45,508,300
Total	**112,896,780**	**112,058,000**
Natural Gas—Millions of Cubic Feet		
Proven Developed	133,600	122,952
Probable Additional	22,871	22,871
Total	**156,471**	**145,823**
Sulphur—Long Tons	**25,360**	**2,200**
Total Barrels—Converted on a Price Equivalent Basis		
Proven Developed	73,013,763	73,029,020
Probable Additional	48,212,416	46,712,036
Total	**121,226,179**	**119,741,056**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T.56
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Ste. Anne
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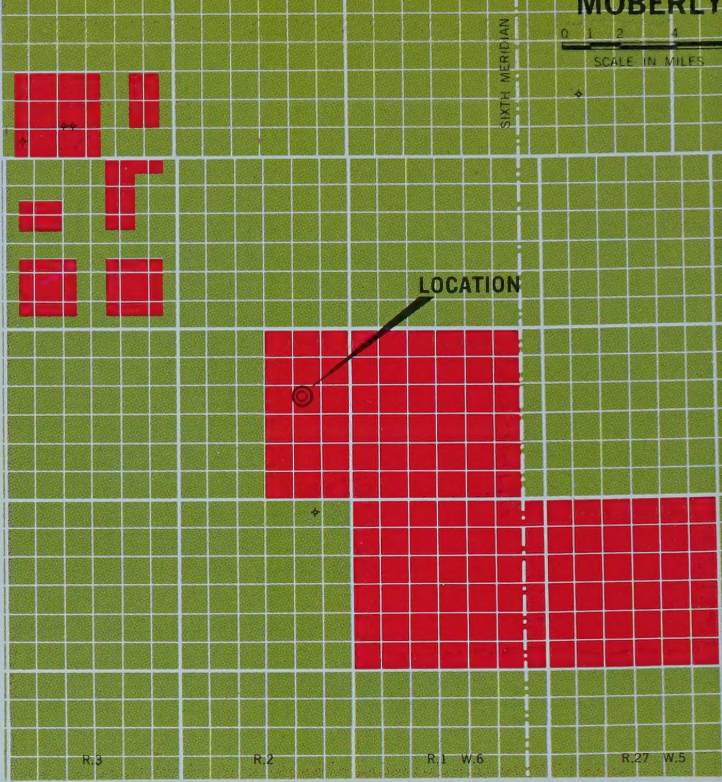
R.6
R.5
R.4 W.5


MOBERLY
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SCALE IN MILES
SIXTH MERIDIAN
LOCATION
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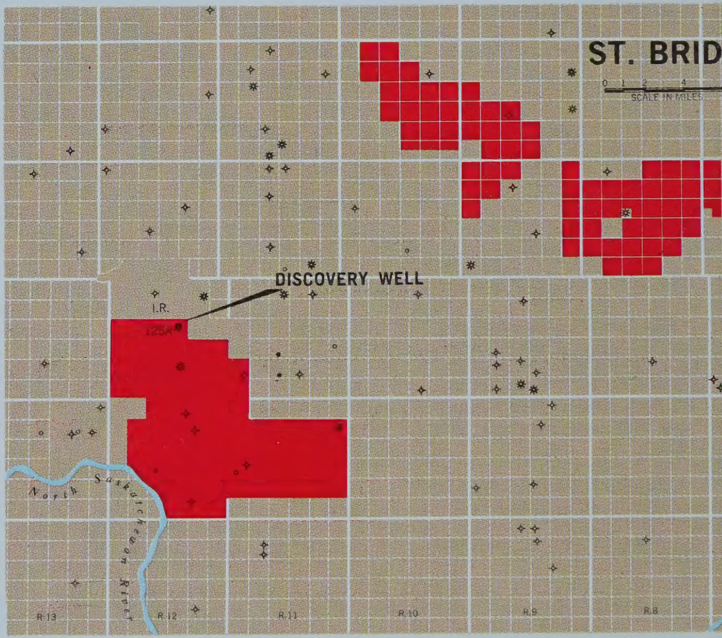
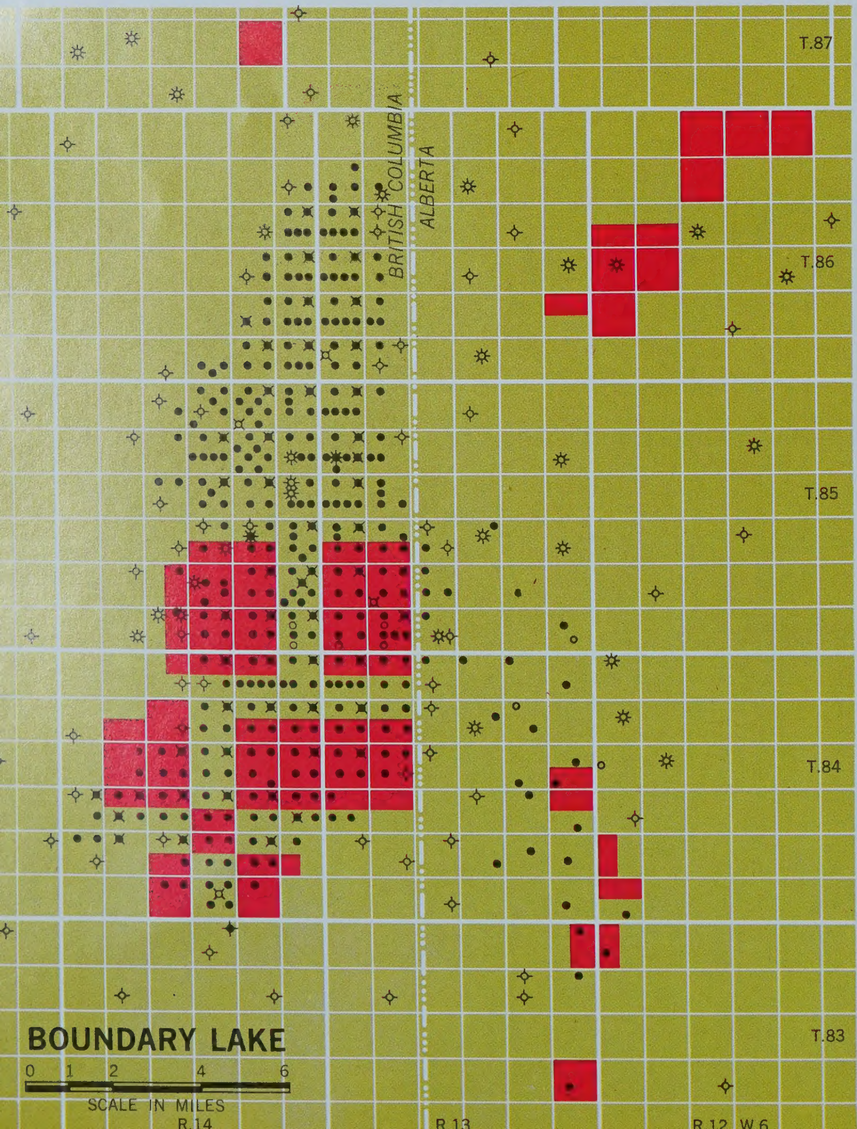
R.2
R.1 W.6
R.27 W.5


ST. BRID
DISCOVERY WELL
I.R.
North Saskatchewan River


T.87
BRITISH COLUMBIA
ALBERTA
T.86
T.85
T.84
T.83
BOUNDARY LAKE
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SCALE IN MILES
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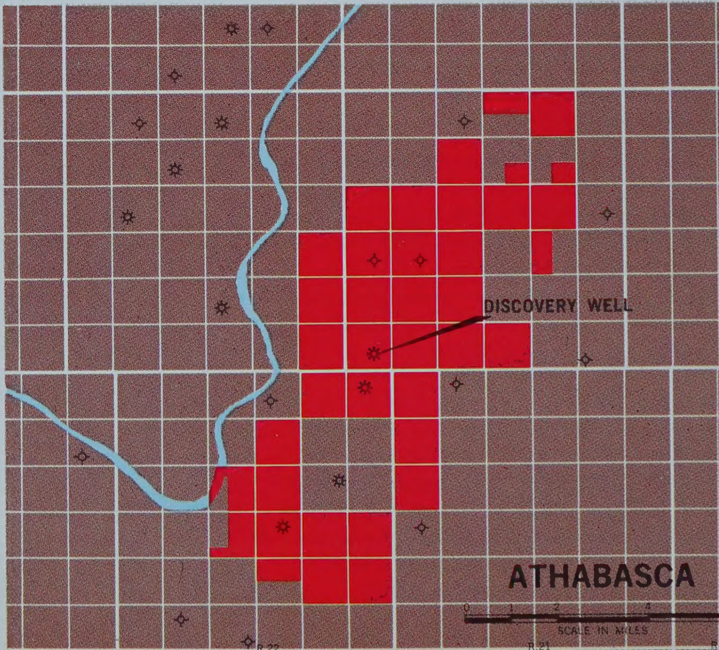
R.13
R.12 W.6


DISCOVERY WELL
ATHABASCA
SCALE IN MILES

Exploration

During the reporting period, our exploration activities included:

- The investment of $2.0 million for geophysical work, exploratory drilling and acreage acquisition.
- The drilling of 42 exploratory tests in western Canada which resulted in the completion of 11 wells for oil and/or gas production.
- The acquisition of 98,000 net acres in western Canada through purchase or drilling agreement.
- The acquisition of an interest in 1,757,000 acres in Canada's East Coast offshore area.

An expanded exploration and acquisition programme is planned for 1971.

The strong and ever-increasing demand for natural gas and crude oil makes western Canada, with its ready access to transportation systems, an attractive area for exploration. We plan to increase our acreage holdings and thereby broaden our exposure in western Canada, which we believe has the potential for further significant discoveries.

Special emphasis over the long term will be directed toward substantial expansion of our present acreage position in the Northwest Territories, Arctic Islands and East Coast offshore areas.

Areas of particular interest are discussed below.

Boundary Lake, Alberta

During 1970 we acquired a 50 per cent interest in 2,000 acres in the Boundary Lake area. Three Triassic oil wells have since been completed and are on production. Additional wells will be drilled on this property during 1971 and further exploration is planned for the area.

Athabasca, Alberta

Ashland Canada now holds a 50 per cent interest in 20,700 acres in the Athabasca area, of which 16,900 acres were acquired during 1970. An exploratory test on the block was completed as a multi-zone gas discovery. We drilled four stepout wells which resulted in two gas completions and two dry holes. We are optimistic about the prospects for this area and will continue our evaluation programme. Negotiations are under way for the sale of the gas under long term contract.

Craigend, Alberta

We hold interests ranging from 16⅔ per cent to 25 per cent in 33,900 acres in the Craigend area. A shallow gas discovery drilled on this prospect during the year was followed by two further commercial gas completions. A continuing drilling programme is planned for 1971.

St. Bride, Alberta

Ashland Canada holds a 50 per cent interest in 15,300 acres in the St. Bride area, on which a commercial gas discovery and a stepout well have been completed. Interests in an additional 33,400 acres in the area have since been acquired and further drilling is planned.

Cherhill, Alberta

In recent years the Company acquired interests in 240,000 acres in this area located 50 miles northwest of Edmonton. The Cherhill and Alexis oil fields were discovered and developed on the lands and two commercial gas wells were completed. Extensive geophysical work has been conducted and exploratory drilling is planned for 1971 in this area of prime interest.

Moberly Creek, Alberta

The Company is participating to the extent of a 17.5 per cent interest in the drilling of an 11,000 foot Mississippian test on a farm-in of 72,000 acres in this foothills area. The test now drilling will evaluate a major seismic feature typical of high reserve deep gas fields in the Foothills Belt.

Legend

Ashland Land Holdings
Location
Oil Well
Gas Well
Dry or Abandoned
Injection Well

LEGEND

Ashland Land Interest

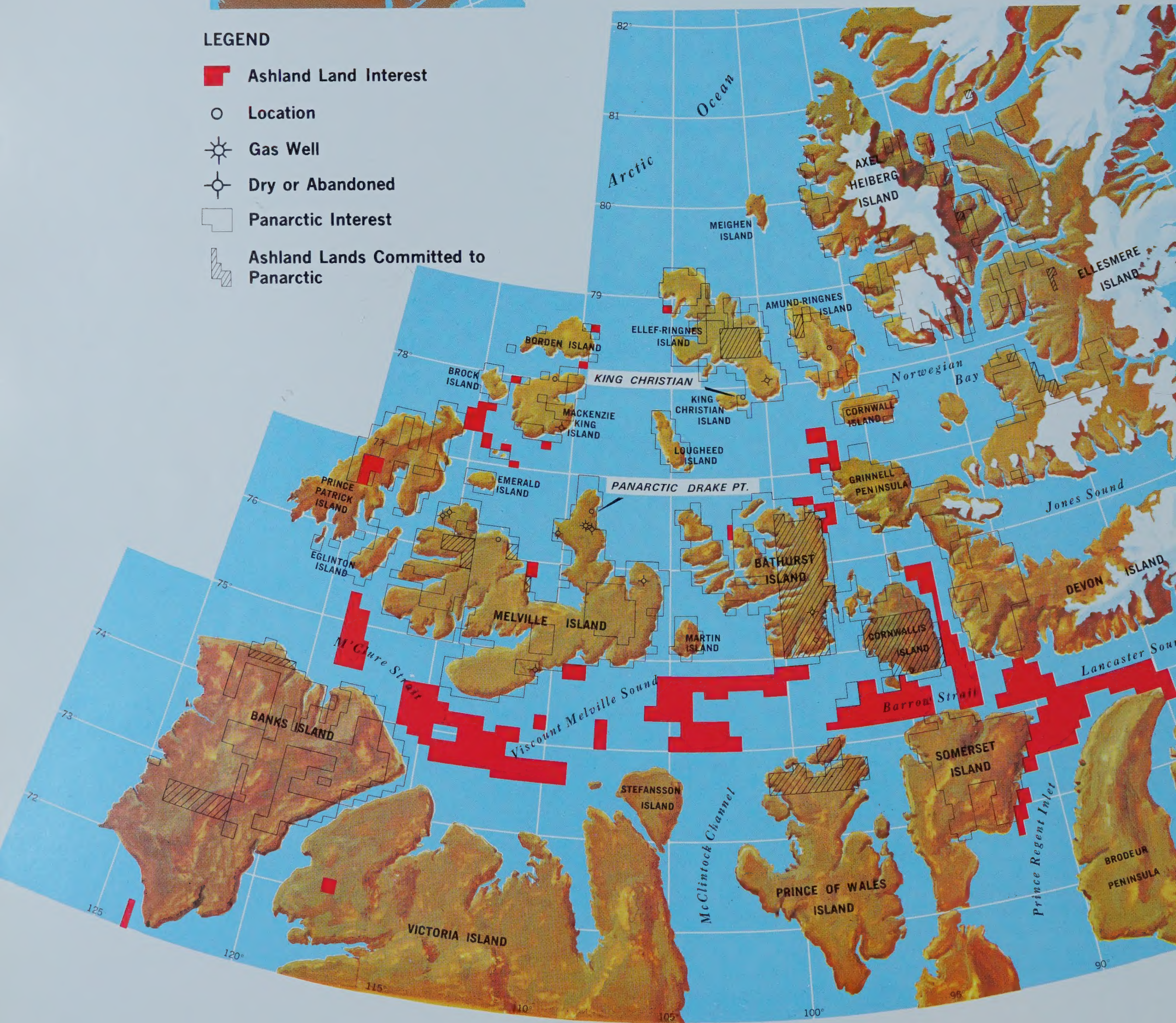
Location

Gas Well

Dry or Abandoned

Panarctic Interest

Ashland Lands Committed to Panarctic



Arctic Islands

The discovery in the Arctic Islands of major gas reserves by Panarctic's Drake Point well, and the recent wild well at King Christian, has greatly enhanced the potential for discovery of significant hydrocarbon reserves in this frontier area.

- Ashland Canada is a one per cent shareholder in Panarctic, which is involved in an active exploration programme in the Arctic Islands. Approximately $40 million has been expended by the Panarctic Syndicate and further expenditures of $30 million have been committed by participants.
- We hold interests in 8.1 million acres in the Arctic Islands, of which 6.8 million acres have been farmed out to Panarctic. There are indications that drilling on or near these interests may be conducted through Panarctic during the coming year.
- We have retained our 70 per cent interest in 177,200 acres on Prince Patrick Island and anticipate that one or more wells will be drilled by others on the island during the year.
- We hold a 50 per cent interest in one million acres in the Lancaster Straits area. Negotiations are under way to contribute this acreage, along with some 12 million acres owned by others, to a new company known as Magnorth Petroleum Ltd. Through a shareholding of Magnorth, Ashland Canada will own an indirect interest in the total block of more than 13 million gross acres. The consolidation of these lands under one organization will make for a more efficient exploration effort. The group has already participated in 2,300 miles of ice breaker marine seismic, which is now being reviewed.

We are reviewing various alternatives for the expansion of our acreage position and for achieving a greater participation in exploration in the Arctic Islands.

Oil and Gas Acreage Holdings as at September 30, 1970

	Gross Acres	Net Acres*
Petroleum and Natural Gas Rights		
Alberta	1,550,475	716,398
British Columbia	154,632	63,577
Saskatchewan	714,445	428,892
Manitoba	9,424	7,838
Northwest Territories	677,328	96,789
Arctic Islands**	8,081,917	1,771,326
East Coast Offshore	1,796,609	302,549
Montana	91,425	45,715
Total	**13,076,255**	**3,433,084**
Mineral Title Ownership		
Saskatchewan	1,003,894	501,947
Manitoba	753,000	376,500
North Dakota	144,734	26,531
Total	**1,901,628**	**904,978**
Total Holdings	**14,977,883**	**4,338,062**

*Royalty interests are not included.

**In addition to the above described interests, the Company owns approximately 1% of the outstanding shares of Panarctic Oils Ltd., which is actively engaged in exploration for hydrocarbons in the Canadian Arctic Islands. Of the gross Arctic Islands acres shown above, 6,839,980 acres are farmed out to Panarctic Oils Ltd. The net Arctic Islands acreage in the above table will be reduced by 869,191 acres to 902,135 net acres, after Panarctic has performed under various farmout agreements.

During the reporting period the Company invested $4.2 million in the development and maintenance of producing properties.

A total of 45 development wells were drilled, resulting in the completion of 26 oil wells, 2 gas wells, 4 service wells, with 13 dry holes.

The Company is the managing operator of 15 units and 864 wells in western Canada. The Company owns interests in more than 8,000 gross wells, representing 694 net oil, gas and service wells.

An aggressive programme to enhance present producing properties is under way. Unitization and pressure maintenance projects have been proposed or recently initiated in several areas. Every effort is being made to maximize the capability of properties now producing or capable of producing in order to take full advantage of increased market demand.

Southern Alberta

Increased demand and higher crude oil prices have enhanced our present holdings in southern Alberta, from which we produced 346,000 net barrels during the reporting period. A programme of development drilling, unitization and pressure maintenance has been designed to expand reserves and production rates on existing properties.

Inga, British Columbia

The Company now participates in three units in the Inga area. Two of these, one gas and one oil, were formed during 1970. Gas sales are expected to begin in 1971. Pressure maintenance should increase production from the two oil units. Additional exploratory drilling is planned during 1971 for this prospective area, which has ready access to existing oil and gas pipelines.

Canadian crude oil, on its way to a refinery, pauses first at a prairie tank battery. Ashland Canada is producing an average of 15,000 barrels of crude a day.

Net Crude Oil Production per Day—For Month of September, 1970

Field/Area	Barrels per Day
Alberta	
Pembina	3,590
Hays	922
Cherhill	575
Willesden Green	560
Swan Hills-Kaybob	439
Rainbow-Zama	356
Ferrier-Hespero	298
Grand Forks	216
David	215
Others	634
Total	**7,805 (51%)**
Saskatchewan	
Gull Lake	1,543
Illerbrun	803
Weyburn	752
Steelman	660
Hastings	428
Cantuar	334
Midale	311
Alameda	300
Benson	274
Other	450
Total	**5,855 (38%)**
British Columbia	
Weasel	866
Inga	464
Boundary Lake	180
Other	230
Total	**1,740 (11%)**
Grand Total	**15,400**

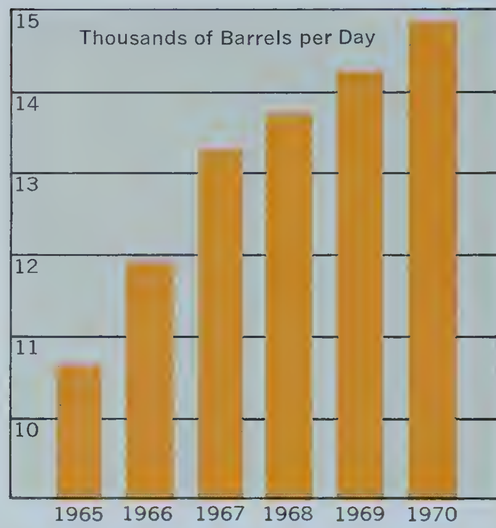
The average price per barrel received by the Company during the month of September was $2.42.

Net Natural Gas Production per Day—For Month of September, 1970

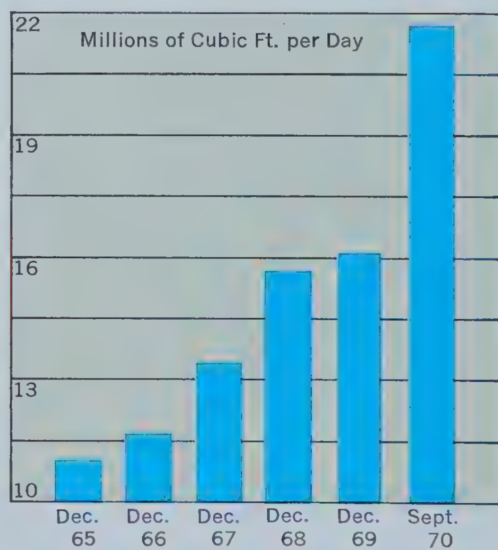
	Million Cubic Feet per Day	
Alberta	15.15	(70%)
British Columbia	4.38	(20%)
Saskatchewan	2.27	(10%)
Total	**21.80**	

The average price received by the Company for gas during September was 12.7¢ per thousand cubic feet.

Production of Crude Oil & N.G. Liquids



Natural Gas Sales



Interest in Wells—Gross and Net—September 30, 1970

	Oil	Gas	Shut-In Gas	Service	Shut-In Oil and Service	Total
Alberta	3,271	183	35	722	64	4,275
British Columbia	199	9	2	8	2	220
Saskatchewan	2,071	13	7	1,376	37	3,504
Total Gross Wells	**5,541**	**205**	**44**	**2,106**	**103**	**7,999**
Total Net Wells	**541**	**33**	**14**	**106**	—	**694**


GULL LAKE
(S.W. SASK.)
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SCALE IN MILES
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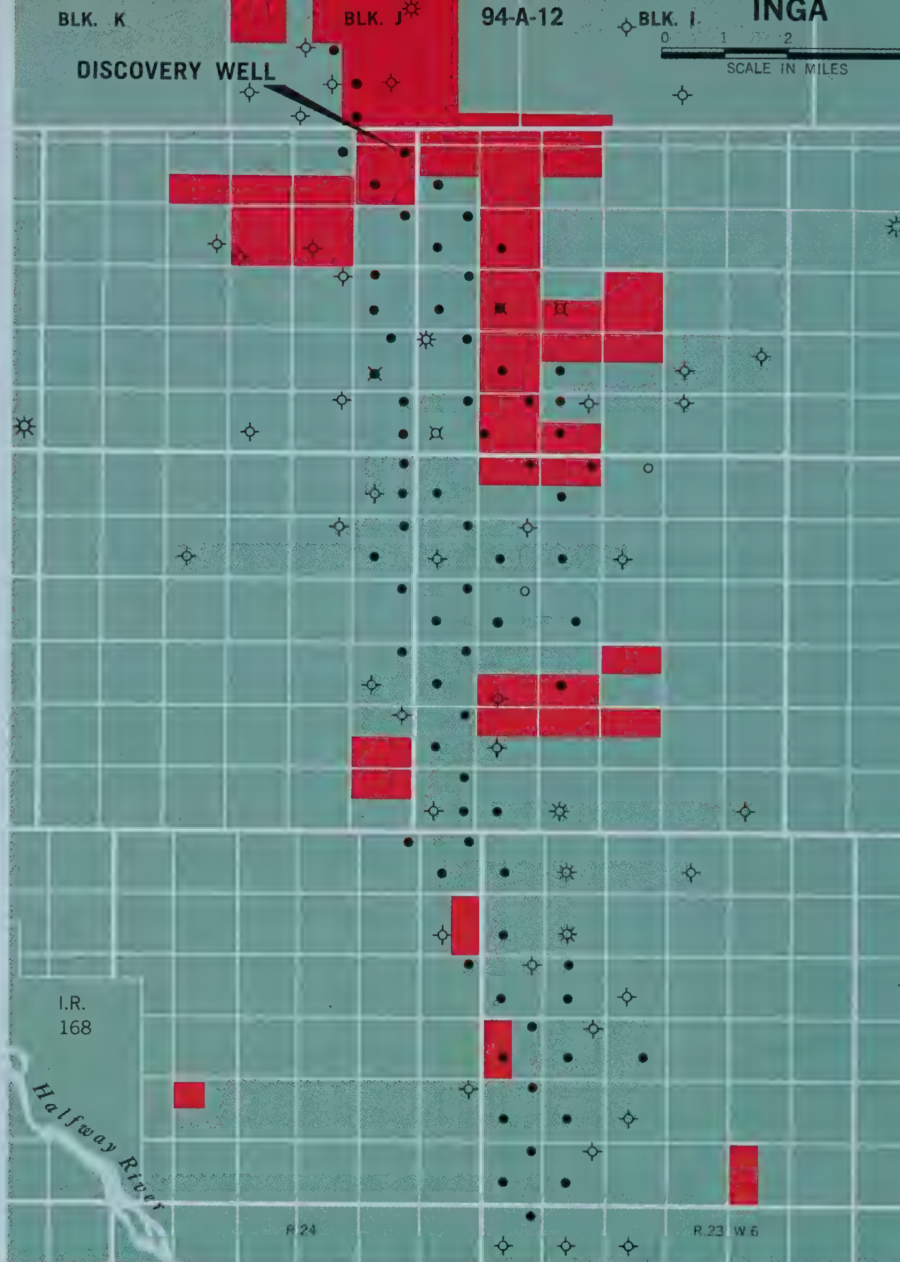
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SCALE IN MILES
DISCOVERY WELL
I.R.
168
Halfway River
R.24
R.23 W.6


PEMBINA
SCALE IN MILES
PEMBINA CARDIUM UNIT 3
BELLY RIVER UNITS
R 3
R 2
R.1 W.5

Keystone-Pembina, Alberta

Ashland Canada now holds interests averaging 38 per cent in five Belly River Units and one Cardium Unit in the Keystone-Pembina area, five of which we operate. The Company has recently developed an additional water supply for purposes of unit water injection. We anticipate that revised allowables from higher water injection rates will increase production and income from the units.

A gas conservation programme which we have initiated will produce 7 million cubic feet per day, commencing in mid-1971, from six units in this area. In conjunction with this programme, the Company is proceeding with the development of other known gas reserves for readily available markets.

Southwest Saskatchewan

The Company operates two units in southwest Saskatchewan, and the formation of three more units is in progress. Fourteen development wells were completed during 1970, and, with the commencement of pressure maintenance, should increase our oil production income from the area.

We are negotiating the sale of gas from a wholly-owned field and the development of a gas storage reservoir as a peak load reducer. It is expected that this project will begin in 1971.

Crude Oil Supply Department

We purchase crude oil and natural gas liquids at the wellhead in western Canada for resale on a fee basis. Our Crude Oil Supply Department will handle crude oil procurement for Ashland Oil, Inc., the largest United States user of Canadian crude oil east of the Rocky Mountains. This operation commenced in fiscal 1971, and we anticipate purchase and re-sale volumes will reach 80,000 barrels a day during the year.

Legend

- Ashland Land Holdings
- Location
- Oil Well
- Gas Well
- Dry or Abandoned

The Mackenzie Valley Pipe Line Research Limited

The Mackenzie Valley Pipe Line Research Limited test facility at Inuvik, Northwest Territories, is developing practical, economic methods of building and operating pipelines in the Arctic environment. A field research project has been in continuous operation since March, 1970.

Ashland Canada is one of 16 companies which formed this research company to develop data which would be required for the economic construction of a pipeline to serve the northern extremity of North America. The major discovery at Prudhoe Bay in Alaska and the promising Mackenzie Delta and Arctic Island areas indicate potential oil accumulations capable of producing several million barrels a day.

Mineral Exploration

Ashland Canada now holds directly, or by option, interests in mineral claims and permits totalling 472,000 acres in Canada. Most of the properties are located in northern Saskatchewan, British Columbia, the Yukon and the Northwest Territories.

During the nine-month reporting period, we invested $150,000 in exploration for metals. We project capital expenditures of $300,000 during the coming year.

World demand for all metals is growing. We intend to further expand our participation and investment in exploration for and evaluation of hard minerals. With this objective in mind, various alternatives are being considered, including the acquisition of, or investment in, companies now active in the mineral industry.

Projects of particular interest are:

Carcross Area, Yukon

Ashland Canada and two other companies, each having a one-third interest, have completed a geological, photogeological and geochemical survey over a 9,600 square mile area in the Yukon. We have evaluated the results of this preliminary exploration work and have taken claim blocks in specific areas.

Mount Haskin, British Columbia

The Company owns approximately 15 per cent of the outstanding shares of Della Mines Limited, which owns 161 mineral claims in the Mount Haskin area. We and others have spent in excess of $500,000 in exploration and evaluation of the property. Drilling to date indicates 13 million tons of 0.17 per cent molybdenite over an area 2,000 feet long and 400 feet wide. Additional tonnage will be necessary to justify mine and mill investment.

Recent core hole drilling on a separate portion of the property has yielded values in silver, copper, zinc and bismuth. A programme of evaluation is planned for the coming year.

Spurred by growing world demand, Ashland Canada is participating in exploration for hard minerals.

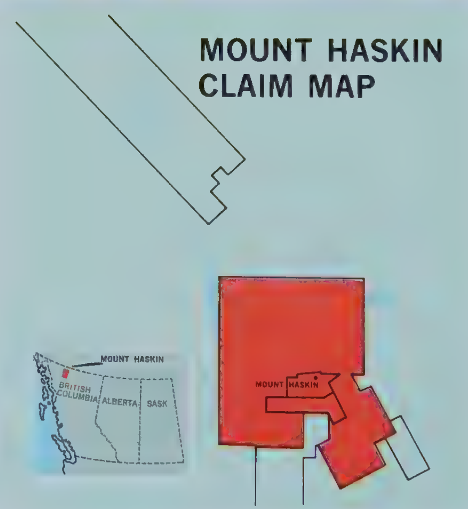
Caltor Syndicate

Ashland Canada holds a one-third interest in the Caltor Syndicate formed to explore for and evaluate mineral prospects in western and northern Canada. The syndicate, formed in 1969, is capitalized at $660,000, of which $220,000 was expended as of September 30, 1970.

The syndicate holds claims or options on claims in six areas totalling 182,270 acres. These areas are presently being evaluated.

Australian Syndicate

In addition to its Canadian operations, Ashland Canada joined with three other Canadian mining companies in 1970 to form an Australian Syndicate. This syndicate is now involved in the preliminary phase of an exploration programme, and holds 58 mining claims in nine separate blocks totalling 17,000 acres in western Australia.



Ashland Canada is engaged in the manufacture and application of bituminous all-weather surfacing for highways, shopping centres, and industrial and residential developments. Our two asphalt paving and construction divisions, Warren Bitulithic, headquartered in Toronto, and Columbia Bitulithic, based in Vancouver, operate in Ontario, the Maritime provinces, British Columbia and Alberta.

Warren and Columbia together represent the largest operation of its kind in Canada.

- The divisions contributed $2.0 million in cash flow to the Company on sales of $23.8 million during the nine months ended September 30, 1970.
- Cash flow contribution for the period of 12 months ended September 30 was $2.8 million, an increase of $492,000 or 21.4 per cent over the $2.3 million for the previous year.
- Total sales for the 12 months were $32.6 million, representing a 19.9 per cent increase over sales of $27.2 million for the same period a year ago.

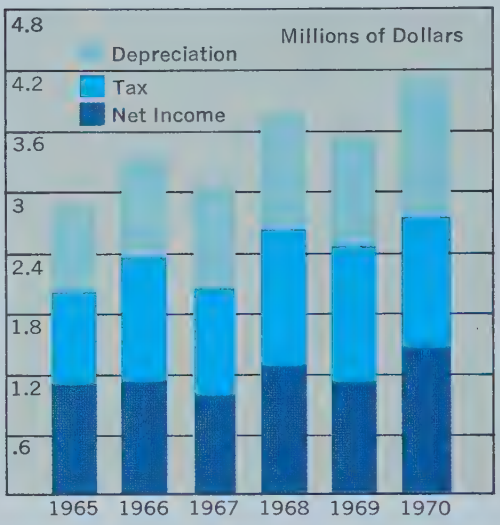
Warren and Columbia own and operate 32 asphalt plants, 20 of which are installed on permanent commercial locations. The remaining 12 are portable for use near specific job sites. The plants on commercial locations are highly automated and allow production of asphaltic concrete to a wide range of customer specifications. The divisions own, or have under long term lease, sizeable sand and gravel reserves.

The asphalt paving and construction divisions operate with a permanent staff of about 450, adding 1,000 to 2,000 employees during peak construction periods. Total salaries and benefits paid during the 12 months exceed $8 million.

The Columbia Bitulithic Division has recently taken a long-term lease on properties containing 3 million tons of aggregate at Haney, on the Fraser River near Vancouver. Loading and unloading facilities are being constructed on the river to allow the use of water transportation to deliver the division's aggregate to Vancouver. This project, involving a capital investment of $317,000, should further enhance the division's competitive position.

The outlook for our asphalt paving and construction operations appears good. Our divisions hold a strong competitive position in two of Canada's highest growth areas, southern Ontario and the British Columbia mainland. Opportunities to expand our operations into the Prairie Provinces and Quebec are being examined.

Construction Divisions—Operating Income



The Canadian Rockies loom in the background as men of the Columbia Bitulithic Division lay asphalt over Rogers Pass in Glacier National Park, British Columbia.


HOGAN STARR RACING LTD
2
STP

The Valvoline Oil Company of Canada Division is engaged in compounding, packaging, and distributing automotive lubricants, industrial oils, greases, gear oils, rust preventives and other petroleum products.

The division recorded gross sales of $2.5 million and cash flow of $200,000 for the period of 12 months ended September 30, 1970. Net income was $171,000, an increase of seven per cent over the previous year.

Bulk storage and packaging facilities are operated in Toronto and Vancouver. Sales offices serve distributor and jobber markets across Canada.

Although Valvoline is not a large part of the total Company, we anticipate it will enjoy substantial growth in both sales and profits. Valvoline has recorded substantial increases every year for the past five years. We have a working relationship with Valvoline's international operation and, as a result, we benefit from its extensive product research, quality control and advertising.

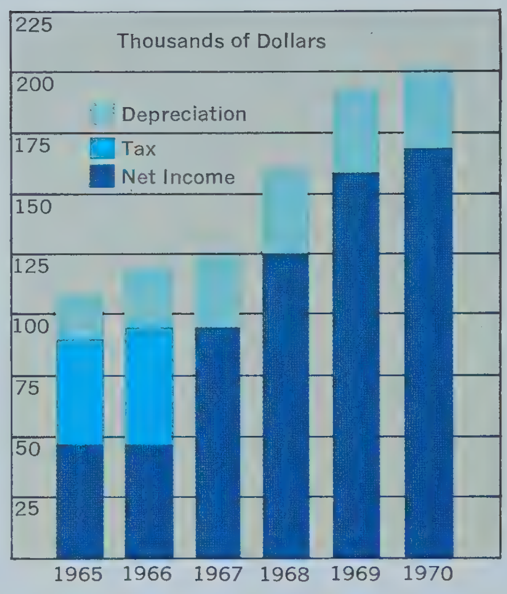
The use of Valvoline lubricants in high-performance engines, under rigorous racing conditions, has done much to win acceptance for the division's products. Valvoline helped sponsor Canadian John Cannon as he drove to victory in the 1970 Formula A Continental Championship Series. Valvoline products are used by many champions competing in various other forms of automobile racing including the Canadian-American Challenge Cup series, Trans-Am and drag racing.

Valvoline's line of rust preventives, sold under the trade name Tectyl, is marketed throughout Canada. Tectyl is used by major automobile manufacturers to protect cars shipped from the assembly plant.

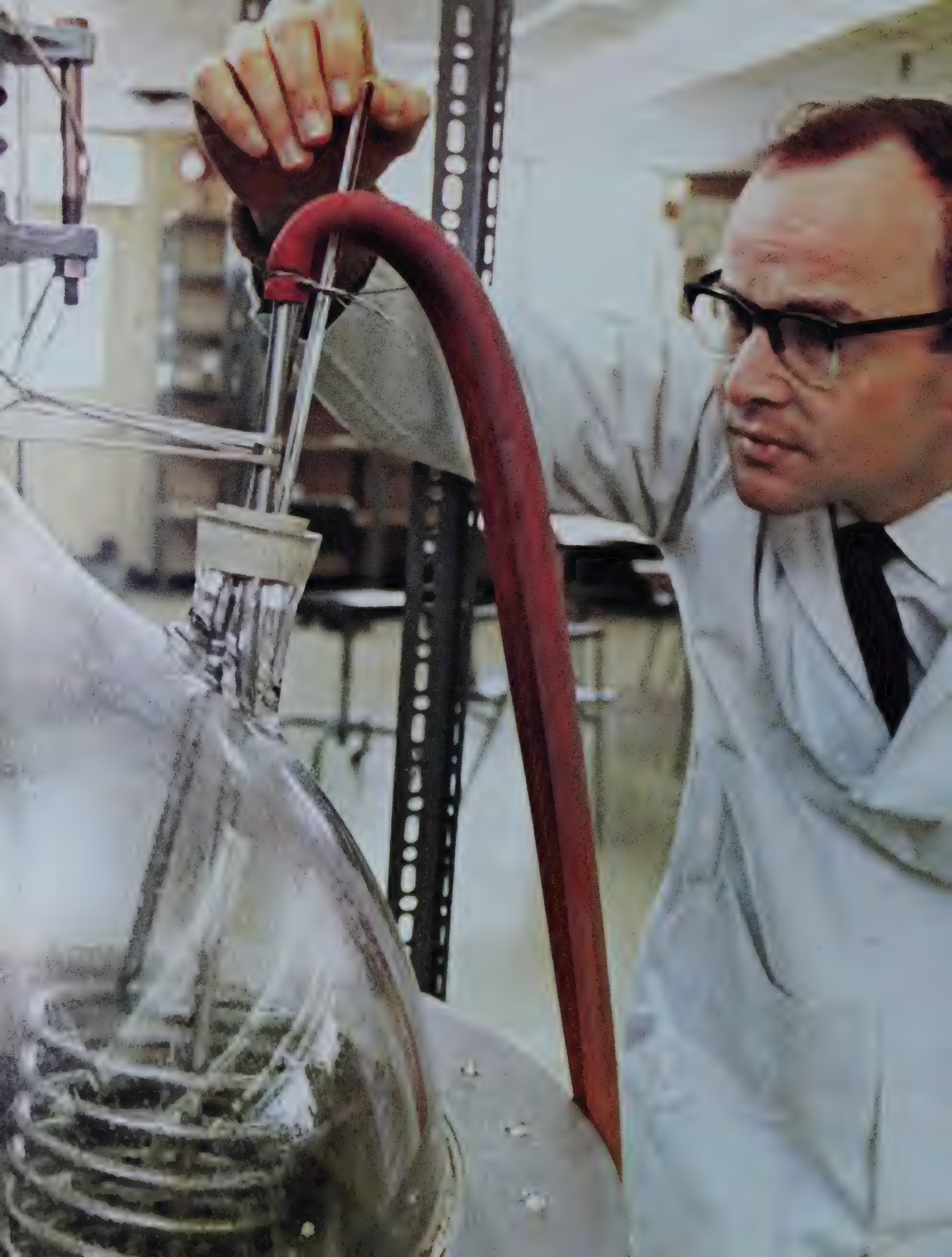
The division is undertaking an expansion of plant facilities in the Vancouver area. A seven-acre site with rail service has recently been purchased. Construction of bulk storage, warehousing and packaging facilities should be completed during 1971.

Recent efforts to expand sales in Quebec, the Maritimes and the Prairie Provinces have been most encouraging. Additional plant facilities for these areas are being considered.

Petroleum Marketing—Operating Income



Canadian John Cannon, here driving his Hogan-Starr McLaren M10B Chevy to victory in the 1970 Formula A Continental Championship Series, is one of many professional drivers using Valvoline lubricants.



Ashland Canada conducts a nationwide chemicals business through the Industrial Chemicals and Solvents Division and the Resin and Chemical Division.

Industrial Chemicals and Solvents Division

Total sales for the division were $2.3 million for the period of 12 months ended September 30, 1970, equal to the volume of business for the previous year. Cash flow of $84,000 was down from $129,000 in 1969, due primarily to increased expenses and highly competitive market conditions.

The division compounds, packages and distributes a variety of petrochemicals and solvents throughout southern Ontario and Quebec to the protective coatings industry, foundries and other manufacturers. Packaging, warehouse and sales facilities are maintained in Toronto.

The majority of this division's products are marketed under the "Bronoco" trade name. The product line includes aliphatic naphthas, aromatic solvents, refined oils, polybutanes, alcohols, ketones, esters, chlorinated solvents and solvent blends. In addition, the division distributes phthalic acids and anhydrides under agreement with another chemical company.

Resin and Chemical Division

Gross sales for the division were $4.76 million for the period of 12 months ended September 30, 1970. This resulted in a cash flow of $367,000 and net income of $271,000, up five per cent and eight per cent respectively over the previous year.

The division operates a chemical plant and related marketing facilities in Toronto. The plant, which includes four reactors and auxiliary equipment, along with blending and storage facilities, has a capacity of 25 to 30 million pounds annually, depending on product mix.

The plant produces organic and inorganic binders for the foundry industry and a wide variety of resins for protective coatings and inks.

In addition to its own products, the division markets a wide variety of chemical and petrochemical products produced by Ashland Oil, Inc., in the United States.

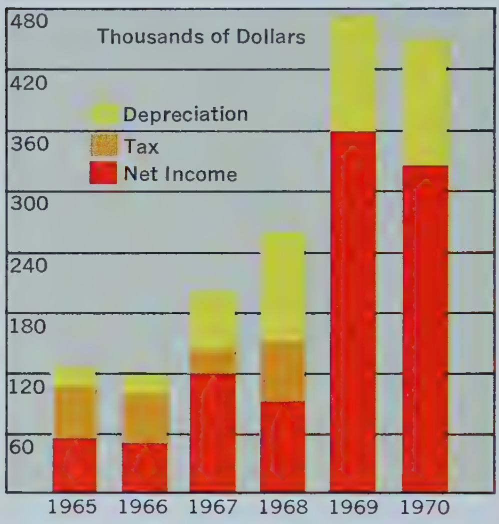
The highly industrialized provinces of Ontario and Quebec constitute the major markets for the division's products, although sales are made across Canada.

The division employs a staff of 58, including a research and development group working in laboratory facilities at the plant site.

Resin and Chemical Products

Resins	furan water soluble acrylic alkyd copolymer phenolic
Core oils	
Polyesters	
Urethanes	
Organic and inorganic binders	

Chemical Divisions—Operating Income



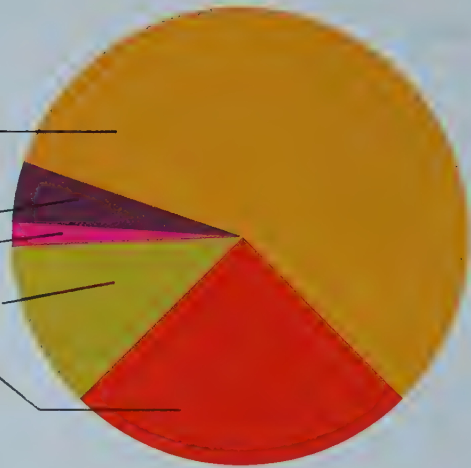
A laboratory technician in the Resin and Chemical Division tests a product run from the Company's Toronto plant. The facility can produce up to 30 million pounds of binders and resins annually.

Financial Results

Distribution by Class of Business
(Twelve Months Ended September 30, 1970)
(Restated)

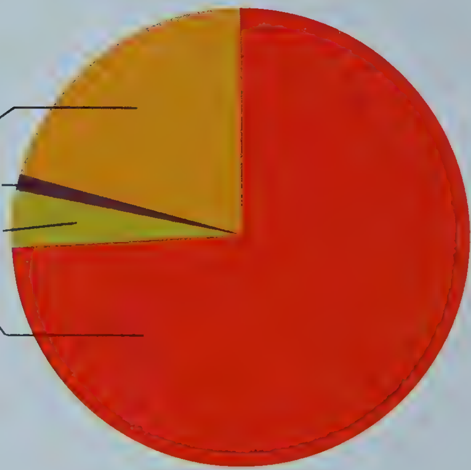
Gross Revenue

Road Construction & Materials	57.0%
Petroleum Products	4.5%
Other	1.5%
Petrochemicals & Chemicals	12.0%
Oil & Gas Division	25.0%



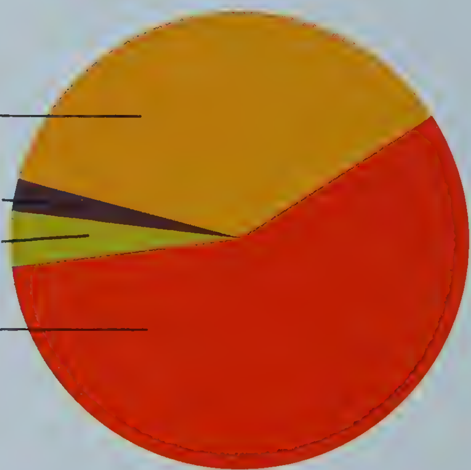
Cash Flow

Road Construction & Materials	21.0%
Petroleum Products	1.0%
Petrochemicals & Chemicals	4.0%
Oil & Gas Division	74.0%



Income Before Tax

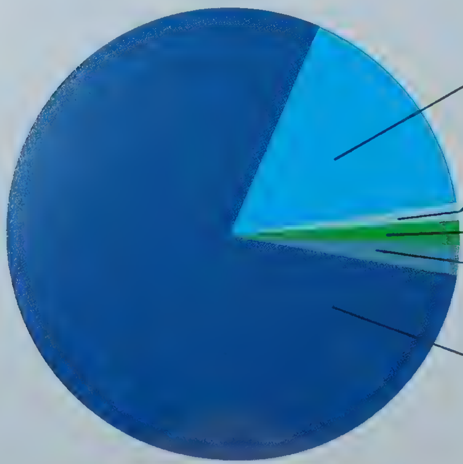
Road Construction & Materials	37.0%
Petroleum Products	2.0%
Petrochemicals & Chemicals	4.0%
Oil & Gas Division	57.0%

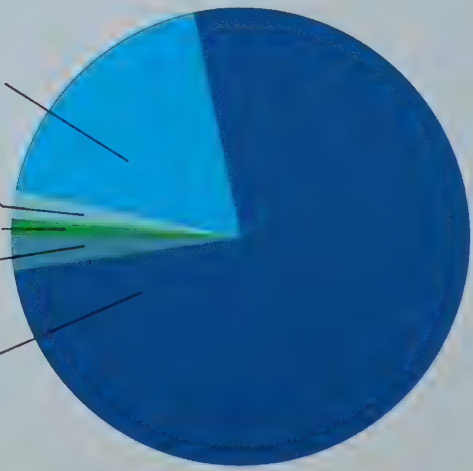


Capital Expenditures

Distribution by Class of Business

	1970 (Restated) (Twelve Months Ended September 30, 1970)	1971 (Projected)
Road Construction & Materials	16.1%	18.6%
Petroleum Products	1.1%	2.0%
Petrochemicals & Chemicals	1.7%	0.8%
Hard Minerals Exploration	1.9%	2.4%
Oil & Gas Division	79.2%	76.2%





Ashland Oil Canada Limited and Subsidiaries

(Successor to Canadian Gridoil Limited and the Canadian subsidiaries and Canadian oil and gas properties of Ashland Oil, Inc.—Note A)

Consolidated Statement of Source and Use of Funds

For the period of **nine months ended** September 30, 1970 and the **year ended** December 31, 1969	1970	1969
Funds were provided from:		
Net income (after extraordinary charge in 1969)	$ 3,585,347	$ 4,843,022
Depreciation and depletion	4,926,181	6,489,485
Amortization of debt issue expenses	2,650	3,533
Mining exploration	110,735	
Deferred income taxes	73,265	251,517
Provision for minority interest—Note F	140,800	
Extraordinary charge—Note C		674,999
Total Funds Provided from Operations	8,838,978	12,262,556
Issue of 365,000 $2 cumulative redeemable preferred shares by a subsidiary company—Note F	7,300,000	
Total Funds Provided	16,138,978	12,262,556
Funds were used for:		
Property and equipment additions—net	7,977,103	12,346,186
Investments and other assets	250,018	222,515
Reduction of investment in Canadian oil and gas properties by Ashland Oil, Inc.	488,237	2,153,873
Reduction in long-term debt	1,172,607	2,259,769
Dividends on preferred shares	64,942	162,005
Shares of a former subsidiary distributed as a dividend in kind		20,000
Reorganization expenses—Note A	92,196	
Total Funds Used	10,045,103	17,164,348
Increase (decrease) in working capital for the period	6,093,875	(4,901,792)
Adjustment due to pooling subsidiaries having fiscal years ending on different dates—Note A		
Profit not included in statement of income less funds used (principally for property and equipment additions)	595,472	
Increase (Decrease) in Working Capital	$ 6,689,347	($ 4,901,792)

Consolidated Statement of Retained Earnings

For the period of **nine months ended** September 30, 1970 and the **year ended** December 31, 1969	1970	1969
Balance at beginning of period—Note A	$34,116,148	$30,290,712
Net income for period	3,585,347	4,843,022
Adjustments due to pooling operating results of companies having fiscal years ending on different dates—Note A		
Adjustments for periods not included in the consolidated statement of income	489,268	
Elimination of net income duplicated due to changes in fiscal year ends		(222,491)
Net income of Canadian oil and gas properties retained by Ashland Oil, Inc. for reinvestment in properties	(412,457)	(613,090)
	37,778,306	34,298,153
Deduct dividends paid	64,942	182,005
Balance at End of Period	$37,713,364	$34,116,148

See accompanying notes which are part of the consolidated financial statement

Ashland Oil Canada Limited and Subsidiaries

(Successor to Canadian Gridoil Limited and the Canadian subsidiaries and Canadian oil and gas properties of Ashland Oil, Inc.—Note A)

Consolidated Statement of Income

For the period of **nine months ended** September 30, 1970 and the **year ended** December 31, 1969	1970	1969
Oil and gas sales, less royalties	$10,220,786	$13,535,007
Petroleum product, petrochemical and chemical sales	7,318,347	8,712,789
Road construction and material sales—Note B	23,840,533	27,105,500
Other income	693,455	745,383
	42,073,121	50,098,679
Cost of sales and operating costs:		
Oil and gas production expenses	2,901,594	3,311,846
Petroleum products, petrochemicals and chemicals	5,486,798	7,136,695
Road construction and materials	19,976,879	22,717,167
Selling, administrative and general	3,187,313	2,819,717
Depreciation and depletion	4,926,181	6,489,485
Mining exploration	110,735	
Interest including $2,650 amortization of debt issue expenses ($3,533 in 1969)	391,808	647,491
	36,981,308	43,122,401
Income Before Income Taxes, Minority Interest and Extraordinary Charge	5,091,813	6,976,278
Income taxes—Note E		
Current	927,401	1,206,740
Deferred	73,265	251,517
	1,000,666	1,458,257
Income Before Minority Interest and Extraordinary Charge	4,091,147	5,518,021
Interest of minority shareholders in the net income of a subsidiary company—Note F	505,800	
Income Before Extraordinary Charge	3,585,347	5,518,021
Write down of 4% mortgage receivable to nominal value of $1—Note C		674,999
Net Income	$ 3,585,347	$ 4,843,022
Income per common share*		
Income before extraordinary charge	28¢	42¢
Extraordinary charge		(5¢)
Net income	28¢	37¢

*In the calculation of earnings per common share no provision has been made for the additional common shares which would result from conversion of the presently outstanding preferred shares because the effect of such conversion would be to increase the earnings per common share. The calculation is in accordance with the requirements of the Canadian Institute of Chartered Accountants.

If the preferred shares of a subsidiary company held by public shareholders (approximately 77%) had been outstanding for the year 1969, the earnings per share for that year applicable to income before extraordinary charge and to net income would have been 38¢ and 33¢ respectively.

See accompanying notes which are part of the consolidated financial statement

Consolidated Statement of Capital in Excess of Par Value

For the period of **nine months ended** September 30, 1970 and the **year ended** December 31, 1969	1970	1969
Balance at beginning of period—Note A	$19,035,553	$17,830,396
Excess of par value of 113,410 6% cumulative redeemable convertible preferred shares over par value of 198,465 common shares issued on conversion		2,745,940
Excess of consideration received over par value of 143,739 common shares issued in exchange for 83,417 $2 cumulative redeemable preferred shares of a consolidated subsidiary—Note G	1,603,657	
Increase in investment in Canadian oil and gas properties by Ashland Oil, Inc. represented by:		
Net income reinvested in properties	412,457	613,090
Advances by Ashland Oil, Inc. for additions to property and equipment, less proceeds of disposals	(488,237)	(2,153,873)
Adjustments due to pooling oil and gas properties—Note A	497,894	
Reorganization expenses—Note A	(92,196)	
Balance at End of Period	$20,969,128	$19,035,553

See accompanying notes which are part of the consolidated financial statement

Notes to Consolidated Financial Statement

Note A—Plan of Reorganization

Ashland Oil Canada Limited, in which Company Canadian Gridoil Limited and the Canadian subsidiaries and Canadian oil and gas properties of Ashland Oil, Inc. are continued as one company, was formed under a plan of reorganization which became effective September 9, 1970. Under the plan of reorganization Canadian Gridoil Limited:

i) Increased its authorized capital to 30,000,000 common shares of a par value of 45¢ each and 200,000 6% cumulative redeemable convertible preferred shares of a par value of $25 each,

ii) Acquired the Canadian subsidiaries and Canadian oil and gas properties of Ashland Oil, Inc. in exchange for the issuance of 10,106,134 of its common shares, and,

iii) Amalgamated with one of the acquired subsidiaries to form the new corporation Ashland Oil Canada Limited.

The reorganization has been accounted for as a pooling of interests, and accordingly, the consolidated financial statements for the period of nine months ended September 30, 1970 include the results of the acquired operations for the nine month period and the consolidated financial statements for 1969 have been restated on a comparable basis.

In connection with the restatement of the consolidated financial statements for 1969, companies having fiscal years ending on dates other than December 31 have been combined with the year ending closest to that date. In all cases such fiscal years ended within three months of December 31. The Canadian oil and gas properties of Ashland Oil, Inc. which end their fiscal year on September 30 were similarly combined. In addition, certain of the companies changed their fiscal year ends from March 31 to September 30 in 1969. As a result certain adjustments due to combining operating results of companies having fiscal years ending on differing dates appear in the consolidated statements of Income, Retained Earnings, Capital in Excess of Par Value and Source and Use of Funds.

The adjustments to common share capital and capital in excess of par value resulting from the pooling of interests are summarized as follows:

	Common share capital	Capital in excess of par value
Balance January 1, 1969 as previously reported:		
Gridoil	$1,201,417	$ 4,983,229
Ashland Subsidiaries	1,672,570	15,722,357
	2,873,987	20,705,586
Adjustment to reflect the issue of 10,106,134 common shares of a par value of 45¢ each	2,875,190	(2,875,190)
Adjusted balance January 1, 1969	$5,749,177	$17,830,396

..onsolidated Balance Sheet

Assets

	September 30, 1970	December 31, 1969
Current Assets		
Cash and short-term deposits	$ 3,045,096	$ 3,826,199
Accounts receivable	10,633,173	11,616,132
Construction completed and in progress at contract prices	2,832,006	2,607,178
Inventories—Note B	2,631,413	2,530,195
Tender deposits and prepaid expenses	653,088	699,991
Due from parent company	876,418	
Total Current Assets	20,671,194	21,279,695
..estments and Other Assets		
..eposits and sundry	239,318	276,331
..ccounts, notes and mortgages receivable—Note C	500,365	374,656
Research expenditures	275,000	100,000
Investment in other companies at cost	683,725	193,272
	1,698,408	944,259
..roperty and Equipment		
Petroleum, natural gas and mineral properties—Note B	79,459,173	74,027,026
Equipment—on the basis of cost		
Production	16,145,374	15,806,389
Marketing	2,015,899	1,885,915
Road building	18,675,533	17,187,654
Other	1,113,494	653,433
	117,409,473	109,560,417
Less allowances for depreciation and depletion	48,672,925	43,639,611
	68,736,548	65,920,806
	$ 91,106,150	$ 88,144,760

.. accompanying notes which are part of the consolidated financial statement

Liabilities and Shareholders' Equity

	September 30, 1970	December 31, 1969
Current Liabilities		
Bank indebtedness	$ 1,978,063	$ 1,968,450
Accounts payable and accrued liabilities	8,545,605	8,740,444
Income taxes payable	1,116,044	1,001,819
Current portion of long-term debt—Note D	1,607,567	1,758,674
Due to parent company		7,075,740
Total Current Liabilities	13,247,279	20,545,127
Long-term Debt—less current maturities—Note D	2,924,115	4,103,625
Deferred Income Taxes—Note E	2,501,194	2,430,380
Minority Interest in a Consolidated Subsidiary—Note F	5,772,460	
Shareholders' Equity—Notes A and G		
Share capital		
Preferred shares		
6% cumulative redeemable convertible preferred shares of a par value of $25 each Authorized and issued 200,000 shares; outstanding 86,590 shares	2,164,750	2,164,750
Common shares, par value 45¢ per share		
Authorized 30,000,000 shares; issued and outstanding 12,919,688 shares (12,775,949 in 1969)	5,813,860	5,749,177
Capital in excess of par value	20,969,128	19,035,553
Retained earnings	37,713,364	34,116,148
Total Shareholders' Equity	66,661,102	61,065,628
	$ 91,106,150	$ 88,144,760

APPROVED ON BEHALF OF THE BOARD:

D. C. Nickel. Dr. Director

Director

The amount of retained earnings resulting from the pooling of interests is as follows:

Balance January 1, 1969 as previously reported:

Gridoil	$ 3,728,519
Ashland Subsidiaries	26,562,193
Adjusted balance January 1, 1969	$30,290,712

Amounts included in the consolidated statement of net income for the operations acquired by Canadian Gridoil Limited from Ashland Oil, Inc. are as follows:

For the period of **nine months ended** September 30, 1970 and the **year ended** December 31, 1969.	1970	1969
Net sales and operating revenues	$39,162,195	$46,314,098
Net income	3,255,484	5,056,81
Earnings per share of common stock (after providing for dividends on preferred shares, issued in 1970, by an acquired subsidiary)	25¢	39¢

Reorganization expenses in the amount of $92,196 incurred by Canadian Gridoil Limited have been written off as a charge against capital in excess of par value. No reorganization expenses incurred by Ashland Oil, Inc. have been charged to the companies.

Note B—Accounting Policies

PRINCIPLES OF CONSOLIDATION—The consolidated financial statements include the accounts of all subsidiary companies. The accounts of a United States subsidiary have been translated to Canadian dollars at appropriate rates of exchange. All significant inter-company transactions and accounts have been eliminated upon consolidation. The minority interest in preferred shares of a subsidiary company together with dividends thereon accrued from the date of the last semi-annual dividend payment date, July 2, 1970, have been provided for on consolidation.

INVENTORIES—Inventories are valued at the lower of first-in, first-out cost or market and consisted of the following:

	September 30, 1970	December 31, 1969
Petroleum products, petrochemicals and chemicals	$1,051,067	$1,001,239
Development and operating supplies and materials	1,580,346	1,528,956
	$2,631,413	$2,530,195

FULL COST METHOD OF ACCOUNTING—The Companies follow the full cost method of accounting whereby all costs relative to the exploration for and development of oil and natural gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical costs, carrying charges on non-producing properties and costs of drilling both productive and non-productive wells. These costs are depleted by the unit of production method based on estimated proven oil and gas reserves. Depreciation of production equipment is computed in a similar manner.

DEPRECIATION—Depreciation of plant and equipment (other than oil and gas production equipment) is determined generally on a straight line basis over the estimated useful lives of the assets.

CONSTRUCTION INCOME—Income on construction contracts is recognized on the percentage of completion method.

Note C—Lease Commitment

The Company has a lease on an office building which expires in 1973 (with an option to renew). Under the terms of the lease the Company is required to pay all operating expenses (which approximate $135,000 per year) and an annual rental of $245,000. The major portion of the premises is currently subleased at annual rentals aggregating approximately $240,000.

The Company holds a 4% second mortgage due in November 1973 on the office building referred to above. In the opinion of management, if the Company is forced to foreclose on this mortgage in 1973, the economic value of the building will be insufficient for the Company to realize a substantial portion of the mortgage receivable. Accordingly, the mortgage receivable was written down to a nominal value of $1 in 1969.

The Company intends to pursue negotiations with the mortgagor relative to its position with respect to the office building.

Note D—Long-Term Debt

	September 30, 1970		December 31, 1969	
	Amounts due within one year	Long-term portion	Amounts due within one year	Long-term portion
Bank loan payable in annual instalments of $70,000	$ 70,000	$ 140,000	$ 70,000	$ 140,00
Bank loans payable in monthly instalments of approximately $134,250, secured by the assignment of interests in certain producing petroleum and natural gas properties under Section 82 of the Bank Act	1,394,595	1,778,308	1,611,000	2,757,41
7% mortgage payable in annual instalments of $6,000	6,000	36,000	6,000	42,00
Notes payable on equipment purchases	14,472	32,307	71,674	39,20
5½% sinking fund redeemable notes, Series "A" due July 1, 1976	122,500	937,500		1,125,00
	$1,607,567	$2,924,115	$1,758,674	$4,103,62

The sinking fund requirements of the 5½% notes have been partially satisfied for 1971, the balance of $122,500 is due July 1, 1971. The amount of $187,500 is due annually thereafter. The note discount and issue expense is being amortized by the straight line method over the term of the notes.

Note E—Income Taxes

For income tax purposes:

i) The companies are entitled to claim capital cost allowances in amounts which may exceed the related depreciation provisions reflected in the accounts.

ii) Ashland Oil Canada Limited and its oil and gas subsidiaries are entitled to claim drilling, exploration and lease costs in amounts which may exceed the related depletion provisions reflected in the accounts. At September 30, 1970 after such claims approximately $14,750,000 of drilling, exploration and lease acquisition costs remain to be carried forward and applied against future taxable income of these companies.

The Canadian Institute of Chartered Accountants has recommended the income tax allocation method of accounting whereby the income tax provision is based upon income reported in the accounts.

The companies have followed the tax allocation method for timing differences referred to in (i) above. Management, however, does not consider it appropriate to apply this method to timing differences referred to in (ii) above. This view conforms with general practice in the oil and gas industry and is accepted by accounting authorities outside Canada.

If the tax allocation basis for all timing differences had been followed in current and prior periods the provision for deferred taxes would have been increased and the resulting net income decreased by $1,371,000 in the period of nine months ending September 30, 1970 and by $1,663,000 in the year ending December 31, 1969.

On a cumulative basis to September 30, 1970 deferred income taxes would have been $14,801,194.

Note F—Minority Interest in a Consolidated Subsidiary

During 1970, a subsidiary company, Canadian Ashland Exploration Ltd. (formerly Ashland Canadian Oils Ltd.) issued 365,000 $2 cumulative redeemable preferred shares of a par value of $20. The effect of the transaction was to reduce indebtedness to Ashland Oil, Inc. and increase working capital by $7,300,000.

On September 14, 1970 Ashland Oil Canada Limited acquired 83,417 of the preferred shares from Ashland Oil, Inc. in exchange for the issuance of 143,739 fully paid common shares. (See Note G)

The minority interest represents the par value of the preferred shares held by public shareholders (approximately 77%) together with dividends accrued since the last semi-annual dividend date, July 2, 1970. The annual dividend requirement on preferred shares held by the public is $563,166.

Under an agreement between Ashland Oil, Inc. and S. C. Nickle, Sr., 71,410 of the unissued preferred shares of Canadian Ashland Exploration Ltd. have been reserved for possible issuance in connection with an option under which Canadian Ashland Exploration Ltd. or Ashland Oil, Inc. may acquire 177,516 common shares and 18,580 preferred shares of Ashland Oil Canada Limited.

Note G—Share Capital

The preferred shares are convertible into common shares of the Company on the following basis:

2.06 common shares for each preferred share to December 2, 1973, and

1.98 common shares for each preferred share thereafter to and including December 1, 1978.

As at September 30, 1970, 178,375 common shares are reserved for conversion of preferred shares.

On September 14, 1970 the Company acquired 83,417 of the $2 cumulative redeemable shares of a par value of $20 issued by a subsidiary company in exchange for the issuance of 143,739 fully paid common shares. (See Note F) The amount of $1,603,657 representing the excess of the par value of the preferred shares acquired over the par value of the common shares issued has been credited to Capital in Excess of Par Value.

Note H—Retirement Plans

Ashland Oil Canada Limited is continuing to operate the retirement plans which were in effect in certain of the predecessor companies prior to the amalgamation. At September 30, 1970 the unfunded liability under one such plan was $225,000 which has not been provided for in the accounts except to the extent of monthly instalments of approximately $1,500 which have been charged to operations at the time of payment.

Other retirement plans which are being continued are contributory retirement plans for certain salaried employees and company contributions represent normal costs, as the plans are fully funded with respect to prior service costs. Under these plans it is the policy to fund costs as accrued.

Note I—Remuneration of Directors and Senior Officers

Direct remuneration of the Company's directors and senior officers for the period of nine months ended September 30, 1970 amounted to $268,656.

ERNST & ERNST

CHARTERED ACCOUNTANTS

CALGARY-ALBERTA

To the Shareholders,
Ashland Oil Canada Limited

We have examined the consolidated balance sheet of Ashland Oil Canada Limited and subsidiaries as at September 30, 1970 and the consolidated statements of income, retained earnings, capital in excess of par value and source and use of funds for the period of nine months then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The financial statements for the year ended December 31, 1969, which are presented for comparative purposes, were examined and reported upon in part by us, and in part by other Chartered Accountants.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1970 and the results of their operations and the source and use of their funds for the period of nine months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Calgary, Alberta, Canada
November 6, 1970

Chartered Accountants

Directors

ERIC CONNELLY
Calgary, Alberta

S.B. DAVIS, III
Ashland, Kentucky

WILLIAM A. ELSER
Calgary, Alberta

H. EARL JOUDRIE
Calgary, Alberta

LARRY G. LINK
Mississauga, Ontario

ARLOE W. MAYNE
Ashland, Kentucky

JAMES A. MILLARD
Calgary, Alberta

CARL O. NICKLE
Calgary, Alberta

S.C. NICKLE, SR.
Calgary, Alberta

VERNON VAN SANT, JR.
Calgary, Alberta

GORDON J. ZACHARIAS
Vancouver, British Columbia

Principal Officers

S.C. NICKLE, SR.
Chairman of the Board

H. EARL JOUDRIE
President and Chief Executive Officer

VERNON VAN SANT, JR.
Executive Vice-President
General Manager, Oil and Gas Division

WILLIAM A. ELSER
Vice-President
Assistant General Manager,
Oil and Gas Division

LARRY G. LINK
Vice-President
President, Warren Bitulithic
Division

WILLIAM J. WHELAN
Vice-President, Administration
Treasurer

GORDON J. ZACHARIAS
Vice-President
President, Columbia Bitulithic
Division

WILLIAM L. JAMES
Secretary

ARTHUR R. MORISON
Comptroller

Executive Personnel

ANDREW D. BERRY
Chief Geologist

S. ALLEN COOKE
Manager, Resin and Chemical Division

HARRY CULL
Assistant Treasurer

C. JAMES DONNELLY
Manager, Oil and Gas Production

H. CLIFFORD FREW
Manager, Valvoline Oil Company
of Canada Division, Vancouver

JOE S. IRWIN, JR.
Manager, Oil and Gas Exploration

KARL O. KINZER
Assistant Treasurer
Vice President, Columbia Bitulithic

RONALD T. PATTERSON
Vice President, Warren Bitulithic Division

G. DAVID RAVENCRAFT
Personnel Manager

ALFRED F. SMITH
Manager, Valvoline Oil Company
of Canada Division, Toronto

LESLIE TRELOAR
Assistant Secretary
Executive Assistant to Management

THOMAS G. WOOD
Manager, Industrial Chemicals and
Solvents Division

General Offices

ASHLAND OIL CANADA LIMITED
1800 Standard Life Building,
Calgary 1, Alberta.

Operating Divisions

OIL AND GAS DIVISION
1800 Standard Life Building,
Calgary 1, Alberta.

WARREN BITULITHIC DIVISION
72 Warren Road,
Downsview, Ontario.

COLUMBIA BITULITHIC DIVISION
Granville Island,
Vancouver, British Columbia.

VALVOLINE OIL COMPANY OF
CANADA DIVISION
31 Industrial Street, Toronto, Ont.
105 West Third Avenue, Vancouver, B.C.

RESIN AND CHEMICAL DIVISION
200 Fairbank Avenue,
Toronto, Ontario.

INDUSTRIAL CHEMICALS AND
SOLVENTS DIVISION
150 Bronoco Avenue,
Toronto, Ontario.

Registrars and Transfer Agents

Guaranty Trust Company of Canada.
(Common and preferred shares).

Bank of New York, New York, N.Y.
(Preferred shares only).

Listings

Toronto Stock Exchange.
Calgary Stock Exchange.
American Stock Exchange (Common
shares only).

Solicitors

MacKimmie Matthews
Calgary, Alberta

Auditors

Ernst & Ernst
Calgary, Alberta

Subsidiary Companies

Canadian Ashland Exploration Ltd.
Whitehall Western Oils, Ltd.
W.B. Bennett Paving & Materials Company Limited
M.B. Bennett Construction Company Limited
Warren Bitulithic Limited
Warren (Maritimes) Limited
Northland Bitulithic Limited
Towland-Hewitson Construction Limited
Towland (London) 1970 Limited

Ashland

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